

NAVIGATION SUPPORT

IN AN OCEAN OF CONSTRAINTS AND UNCERTAINTIES

by Pascal Rapallino, Group Private Clients Solutions Leader, SGG Group

More and more wealthy families are losing confidence to sail in an ocean of regulatory changes and uncertainties for their investments.

Rough Waters

We have read about it, we have expected it and we are now feeling it: the financial landscape has changed.

After the 2008 Financial Crisis, many wealthy families have lost their trust in traditional investments and private banking. This loss of trust, combined with market volatility and low-interest rates, have resulted in a decreased interest in traditional investments such as commodities, bonds and equities and many wealthy families have been seeking out for alternative investments such as Private Equity, Real Estate and Hedge Funds to achieve higher returns with controlled volatility. This being said, ever increasing, changing and ramifying regulations are preventing wealthy families to sail into this ocean of alternative investment opportunities with the required stealth and confidence.

According to the CFA Program 2017 Practice Analysis Survey, nearly half of the CFA Institute members stated that regulations will have a significant impact on investment decision-making going forward. To mention only a few, regulatory standards such as Base Erosion and Profit Shifting (BEPS), Common Reporting Standards (CRS), Foreign Account Tax Compliance Act (FATCA) and Anti-Tax Avoidance Directive (ATAD) have created enhanced analysis and reporting requirements for wealthy families and this has resulted in the need for the restructuring of legal entities that have been set up for investment, asset protection and inheritance purposes.

Steering the Ship

Many families do not possess the required manpower and expertise to efficiently adapt their investment strategies to these new regulatory standards and, at the same time, also feel engulfed by the uncertainties of market volatility, geopolitics and disruptive technologies. The right wealth advisor can provide wealthy families with navigation support in the alternative investment

setting, by understanding a family's changing goals, risk exposure, expectations and market opportunities. As indicated by the 2016 Capgemini World Wealth Report that surveyed 5200 HNWI's in 23 countries, HNWI's rated wealth planning expertise, investment access and advice as the most important criteria for wealth management relationships. The need now has never been greater for entrepreneurial families to consult experts for the creation of robust wealth and alternative investments structures such as Private Equity and Real Estate support, so that they can set out to achieve their financial goals with smooth sailing.

Handing over the Ship's Wheel

Succession planning has always been a topic deserving its own attention and remains one of the most important concerns for HNWI's. The increase of demographics of families and regulatory constraints play no favourable role in contradicting the notorious "from shirtsleeves to shirtsleeves in three generations" proverb. Succession planning should not be seen in isolation and should be pre-empted by proper family and corporate governance. It is vital that families foster communication channels and create family charters with unique decision-making procedures, values and objectives.

Many HNWI's and families see the merit in Warren Buffet's notion of succession by leaving their children "enough money so that they would feel they could do anything, but not so much that they could do nothing". This balancing act is not an easy task to defeat with each family (and its individual members) bringing its own level of complexity and expectations. The best succession planning is generally construed by an external advisor experienced in family succession matters, someone whose judgment is not clouded by the family relations, but at the same time, is someone who can understand the unique needs of the family.

Pascal Rapallino leads and develops the SGG's Private Clients business unit, focusing on enhancing existing capabilities and implementing new services globally

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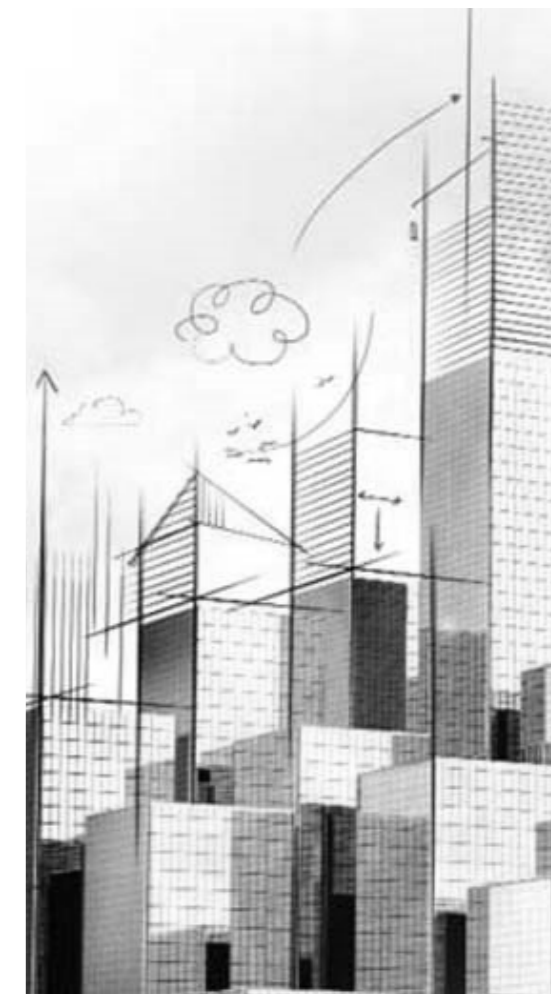
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